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JOHN W. BOOKWALTER.

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## AMERICA'S DANGER.

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It is the cherished belief of a large number of the American people that the United States is absolutely independent of foreign countries, and especially of those of the Eastern hemisphere; that we need not in any way concern ourselves with events which happen in the Old World, but may keep the even tenor of our course, reaping now and then a temporary advantage from war in Europe or famine in Asia, but secure in our destiny and undisturbed in our prospects, whatever aspect affairs may present on that side of the globe. Taken in a purely political sense, this view is substantially correct. In a commercial and industrial sense it is unsupported by fact, and is vitally and perilously false. It is true that with the political and diplomatic relations of European countries, the maintenance of the balance of power with its intricate and delicate adjustments, or the contention over boundary lines between contiguous nations, the United States has nothing to do. Even the territorial expansion of one or another of the great powers, whether in Asia or Africa, whether by acquisition, occupation or control, if regarded as a political question merely, is of no moment to the people of this country. But when we consider the bearing which the drift of events in that part of the world must have upon our commerce and our most important industries, the case assumes an entirely new aspect. Independence in that sense, whether desirable or not, is evidently impossible.

Modern facilities of communication have brought all countries into closer relations with each other, and produced a state of interdependence which would once have been unattainable. No differences of race or nationality, and no remoteness of physical separation can enable any people to isolate themselves as formerly from the rest of mankind. The ocean is no longer a barrier to intimate and constant intercourse and the interchange of commodities. The wonders

wrought by steam and electricity have become stale, and the revolution which they have brought about is a theme too trite even for passing comment. But it should be observed that while physical obstacles have been surmounted by them, many prejudices, customs, habits, and traditions have also given way under their influence. The path has thus been cleared for wider and freer commercial expansion. In the Old World especially is this effect to be perceived, for there only does an old order of things oppose by its inertia or by active hostility the establishment of a new system. In our own country the modern commercial spirit found virgin soil, and had no pre-existing social or political conditions to overcome. But on the other side of the Atlantic the ancient structure of society has left remains in its laws, usages, superstitions, distinctions of rank and privileges of class, which have been the chief impediments to commercial progress. It would be too much to say that these have disappeared, save in a partial and limited sense, even in the most enlightened of the old countries; but the crumbling of the fabric is unmistakable. In the life of the present generation the giving way of what philosophers define as "status" has been marked and rapid throughout all Europe. The reverence in which it was once held diminishes year by year, and its restraining influence upon trade and industry and the development of material resources, both near and remote, will soon be wholly lost.

Thus in Europe and the East have modern inventions changed the face of society, cemented the brotherhood of nations more firmly, and emancipated the forces of production and exchange. To this agency more than to all others combined we may reasonably look hereafter for the maintenance of the peace of the world. Its powerful influence is already seen in the growing disposition to submit international disputes to arbitration. In more than one recent instance, a crisis which would once have spread panic through all the exchanges of Europe has produced no greater effect than a fractional decline in Russian and Turkish securities. And an instructive contrast is presented by the fact that, while in the Old World artificial obstacles to commercial activity are being



rapidly removed, in our own country, where no such barriers existed, either by nature or by inheritance, we have suffered them to be set up. The monopolies, individual and corporate, which have taken root among us, are scarcely less oppressive than were the shackles of absolutism which Europe is throwing off. Nor can we reasonably wonder that the example set by our government in its coercive and class legislation should be followed by its citizens, and that the few should seek to thrive by levying tribute upon the many.

So far from being an exception to the interdependence of nations, the United States is a conspicuous example of that law. Its early settlers and their descendants have worthily maintained the character of the most vigorous and enterprising community in the world, but the means by which the country has become populous and rich have largely come to us from abroad. Our development has been in great measure from without. Both in numbers and wealth we have had constant and for a long time steadily increasing accessions from Europe. Since the year 1820, when the authentic record begins, 12,719,095 immigrants have landed on our shores, and prior to that time it is estimated that 250,000 had arrived since the organization of the Federal government. In all, therefore, about 13,000,000 souls have been added to the population of this country by foreign immigration. The amount of money which this vast number of people have brought with them cannot, of course, be accurately stated; but on the best attainable data, it is placed at \$68 per capita, or an aggregate sum of about \$900,000,000. This, however, is but a fraction of the wealth which Europe has showered upon America. A far greater amount has come in the shape of foreign capital invested in the United States in the construction of its railways, in working its mines, in manufacturing enterprises, agriculture, and stock-raising, in the purchase of bonds and real estate, and in private loans. Many single instances of such investments made on a large scale will occur to any one conversant with railway and financial affairs. The Erie, the Wabash, the Reading, and the Pacific railways, and many others which might be named, are familiar illustrations.

But with these great tributaries, innumerable smaller streams have united to form a vast tide of capital, which has spread throughout our national domain in a fertilizing flood. So great is the aggregate volume that the largest items in its composition are relatively small; and as the nature of nearly all transactions of this kind is such that no official statistics exist regarding them, an approximate estimate only can be made of the amount of foreign capital which has thus been sent from abroad. One such estimate places the sum at not less than three thousand millions of dollars; and it may readily be believed that, taking into account all classes of investments and the whole period of our national history, this figure is rather within than beyond the mark. To put the matter in few words, this country has been for many years a reservoir into which the surplus money and population of Europe have been poured without stint, stimulating every branch of industry and rendering possible a rapidity of growth which could under no other circumstances have been maintained.

These have been the direct contributions, so to speak, of the Old World to the development of the New; but it is not in this way that we have drawn most largely upon the wealth of Europe. It is by the purchase of our products that the European nations, and Great Britain more than any or all others, has helped in the upbuilding of our material interests. Upon no less comprehensive basis could their structure have been raised to the proportions which we now behold with a just and patriotic pride. To give a complete exhibit of the extent of our foreign trade in past years would involve a wearisome compilation of figures; but a glance at some of its salient features will enlighten us in some degree, and may possibly surprise a casual observer who has not paused to investigate the history of our commercial relations. In the last ten years, to go no farther back, the exports of the United States have amounted to more than \$7,000,000,000. Of the single article of wheat, the value sent abroad from this country in the last twenty-four years was upwards of \$1,600,000,000 and of flour about \$700,000,000. In the nineteen years which have passed since the close



of the war, the shipment of cotton from our ports has been more than 55,000,000 bales, valued at more than \$3,400,000,000. Our largest total exports in any single year were those of 1881, when the aggregate of domestic products sent abroad, not including specie, reached the colossal sum of \$883,925,947. And it should further be borne in mind, as showing the dominant feature of our commerce, that by far the larger part of our exports has uniformly consisted of agricultural products. This class of commodities has seldom been less than three-fourths, and has frequently exceeded four-fifths, of the total exports from this country.

In 1880 the percentage of agricultural products in the total exports was 83.24. For the last five years the average percentage has been 78.42. It may be safely estimated, in general terms, that one-fourth of the product of agricultural labor in the United States for the last quarter of a century has been sent to a foreign market. Of the sustaining power of such a trade, or of its vital importance not only to the farming industry, but to every material interest of this country, it is not necessary here to speak in detail. It is a most valuable part of the aggregate trade of the country, but its chief importance is derived from the fact that 26,000,000 of the people of the United States are engaged in agriculture, and that only by this exportation of their surplus product can the price of that which is sold in the home market be fixed and maintained at a paying level. From the industry of this class the great railroad system of our country, with its \$7,000,000,000 of invested capital, largely draws its support. The carrying of their products to a foreign market has given in the last decade 80,000,000 tons of freight to be carried eastward by rail and water a distance of more than 1,000 miles, and a like amount to ocean transportation, representing altogether \$800,000,000 worth of business to the carrying companies; and the domestic carrying trade in the same period has had from this source probably 500,000,000 tons of freight for internal distribution. The prosperity of this great class, comprising almost one-half our population, is indispensable to the national welfare. No part of

the system can permanently thrive if this vital member languishes.

It has been remarked that the chief among the foreign purchasers of American products is Great Britain. In how extraordinary a proportion her demands upon our resources, and, therefore, her contribution to our wealth, have exceeded those of any other nation, can only be realized by examining the statistics of our foreign trade. By these it is shown that of the total domestic exports of the United States in the last ten years, amounting, as already stated, to about \$7,000,000,000, a trifle less than four-sevenths, or, to speak with accuracy, \$3,933,000,000, have been sent to Great Britain. In the year 1881, the exports from this country to Great Britain were \$477,450,619, not including specie or foreign goods brought here and re-exported. Out of 920,000,000 bushels of wheat shipped from American ports in the ten years ending with 1884, 565,000,000 bushels went to Great Britain, being about five-eighths of the whole amount. In the same period, out of 59,000,000 barrels of wheat flour, 31,000,000 were shipped to the English market. Of 640,000,000 bushels of Indian corn exported, 445,000,000 were taken by Great Britain. And of the \$2,000,000,000 worth of cotton shipped to foreign ports by the United States in those ten years, more than \$1,200,000,000 worth went to the same opulent and steady purchaser. The list of instances might be indefinitely prolonged; but these leading examples not only show the uniform preponderance of England over all our other foreign customers put together, but they do in fact comprise in themselves about one-half of our export trade.

The causes which have induced or compelled Great Britain to resort to this country for many years past for her supplies of this character may readily be pointed out. Of the older countries of the continent, those which produce a surplus above their own requirements cannot, even in their most fruitful years, fully meet her demands; and hitherto America has been able to count upon the opportunity of making good this deficiency as a merchant counts upon his trade with an old and liberal customer. Even under ordinary conditions

this has been a source of large and unfailing profit to our people; but in those years which have been marked by a serious falling off in the European harvests, the advantage accruing to this country has been enormous. It was such a failure in the crops of Europe, coinciding with a yield of extraordinary profusion on our own soil, and at the same time a cheapening of his supplies to the American farmer, consequent upon a recent financial crisis, that made the years from 1879 to 1882, inclusive, a golden period in the history of American commerce. The balance of trade turned in our favor by \$264,000,000 in a single year, and in five years more than \$1,000,000,000. A net importation of \$167,000,000 of specie, in the years 1881 and 1882, made money abundant in all our financial centers; and the activity of all our industries, agricultural, manufacturing, and mercantile, gave this accumulating wealth immediate and fruitful employment. There had never been before, there may never be again, so striking a combination of circumstances favorable to the prosperity of our nation.

The colonies and dependencies of Great Britain, though of vast extent and fertility, have remained up to within a very brief period in what may be called an undeveloped state when compared with their prodigious capabilities. The colonial trade of England has been for many years, it is true, a most important feature of her commerce, especially as regards her East Indian possessions. Her export trade with India alone already exceeds that with the United States. Yet even in India, and still more in other distant parts of her empire, English enterprise, active and pushing though it has been, may be said to have done but little more than break the sod and show the possibilities of boundless wealth which lie beneath. But a new spirit has begun to manifest itself in the dealings of Great Britain with her dependencies, and her policy is to be, now and henceforth, an imperial policy in the most effectual meaning of the word. The release of the commercial and industrial spirit throughout Europe from the restraint under which it has so long been held, has been alluded to in a former paragraph. And as the forces of progress are



nowhere stronger than in Great Britain, while at the same time no other country has carried its dominion so far over land and sea, into such wide areas and diverse channels, so it may truthfully be said that nowhere is the revolution which the advancing tendencies of the age have brought about more marked than in the Eastern policy of England. Her purpose is clearly shown, not only to govern her colonies, but to cultivate and utilize their resources to the fullest extent; to bring them into closer relations with herself; to take their products in exchange for her commodities, instead of resorting to markets where such exchange is refused; and to unify and consolidate them by the acquisition of intermediate territory wherever necessary. It does not matter whether this last mentioned object is accomplished under the forms of occupation and control, as in Egypt, or by direct conquest, as has so recently been the case in Burmah. The intent and practical effect are the same in either case. A consistent and undeviating purpose is manifest throughout, and every feature of a vast and complex policy will be found to lead to the accomplishment of that end.

India has been for many years a source of wealth to Great Britain, and her expenditures in maintaining her empire and extending her trade in that quarter of the globe have been on a liberal scale. Yet it would almost seem, when we consider the new and broad fields of profitable enterprise which are opening before her in her Indian colonies, that in all that has yet been done she has only scratched the surface of their magnificent resources. In the production of wheat and cotton, the rank which India already holds is such as to render it an object of lively interest, not to say of profound uneasiness, to a citizen of the United States. In the year 1884, the export of cotton from India was about 1,000,000 bales, valued at \$70,000,000. In the cultivation of wheat, it is scarcely ten years since a small beginning was made, with little promise of important results; and already such surprising progress has been shown, that the crop of the present year is equal to that of the United States, and the export about half that from American ports. India, in fact, though but just started in its

new career of advancement, has risen even now to the first rank as an agricultural power. Nor will British capital be wanting to maintain and accelerate its growth. For every million of pounds expended there in the past ten millions will be forthcoming in the future, as profitable employment is found for it. The great needs of India are transportation and irrigation; and these needs are fast being supplied. The railways already built are more than self-sustaining, and the system, now in its infancy, is yearly spreading to more distant parts of the empire, opening them to British trade. Not only is the soil of India of admirable fertility, but vast tracts are as yet unimproved by any modern methods of culture. It is estimated that 150,000 square miles of territory is thus awaiting development by British enterprise; and that the contemplated reconstruction of an old canal in the Punjaub will alone add some 30,000,000 acres to the productive area of the country. The stream of capital which has helped to build the railroads of the United States is turning toward India, where not only there is a prospect of safe investment and substantial return, but English commodities are gladly taken in exchange for native products.

In Egypt, though the conditions of occupation are less mature, a like prospect is opening, and it would be difficult to predict from which quarter results of the greater magnitude, commercially speaking, are likely to be realized. The soil of Egypt is of such richness, and the climate so friendly to agriculture, that two crops each year are almost everywhere raised, and three are attainable. Nearly all the lands are equally adapted to the growth of either wheat or cotton, and of the latter in particular the rate of yield is fully twice that of our Southern plantations, and the quality often superior to our own product. At present the agriculture of the country is mainly confined to lower Egypt, and but 5,000,000 or 6,000,000 acres are under tillage; but with the English occupation come English skill and capital, English methods of reclamation, and implements of labor. The increase in Egyptian products which may be looked for when England is in complete possession of that country—which



she will be, to all intents and purposes, at no distant day—is of such extent as may well excite our apprehensions. The prospect thus offered is of no hypothetical or problematical nature. Those who have recently visited Egypt and examined into its affairs are well aware that an enterprise has already been organized by an eminent French engineer in conjunction with English engineers and capitalists, which will result in a vast increase of the agricultural resources of that country. Their purpose, which involves an outlay of perhaps \$150,000,000, is to construct on the upper Nile a series of dams by which to regulate the flow of that mighty river and utilize it both for irrigating and fertilizing the adjacent region on either side—at the same time making it navigable to such a distance as to give commercial access to the very heart of Africa. By this enterprise, perhaps the most gigantic engineering project the world has ever seen, and rivaling in its financial scope the operations of the celebrated East India Company of a former day, some 25,000,000 acres of land in upper Egypt, once cultivated by the ancient Egyptians, will be again brought under the fertilizing influence of the Nile floods. The rich soil of this vast territory will thus be made available for the cultivation of wheat and cotton. Still beyond this lie the wide areas of the Soudan and the regions of the upper Nile, as to which all explorers and travelers in that country, among them Sir Samuel Baker, agree that their soil is admirably adapted to the raising of cotton and wheat. The project above mentioned waits only for the establishment of British control to be carried into effect. That its promoters will be followed by other representatives of the energy and capital of England cannot be doubted ; nor will they lack an ample field of operations when the pacification and subjection of Egypt by the arms and diplomacy of Europe have been fully achieved.

The intrinsic worth of such a possession to the country which has the sagacity to perceive and the means to employ its resources is great beyond present measurement. England might well improve the opportunity to grasp so valuable a prize, even were she not in a manner thrust out by an

unfriendly and exclusive policy from regions to which she has hitherto mainly looked for her imports of breadstuffs and cotton. Being thus unwisely repelled from one source of supply, it may well be expected that she will use her energies promptly in a more inviting direction. Yet it is not the direct value of Egypt as a dependency which gives it its chief importance in the foreign policy of Great Britain. The significant feature, the keynote of British dealing with Egyptian affairs, is the fact that through Egypt lies the road to India—the surest, safest and most permanent road, by which, the Suez Canal being also virtually in her possession, her Indian empire can be reached and maintained. Long ago one of the most brilliant of English authors gave a forecast of the situation which now seems on the point of being realized, in his prophecy of the day when “the Englishman, leaning far over to hold his loved India, will plant a firm foot on the banks of the Nile, and sit in the seats of the faithful.” Every step in the present course of European affairs testifies to the accuracy of that prediction, and it can scarcely be doubted that this generation will witness its complete fulfillment.

But the imperial policy of Great Britain reaches still further than this. So broad is its scope that it contemplates not only reliable means of access to India, but the extension of British trade beyond that country. Between India and China the shortest and most convenient route is through the kingdom of Burmah; and England has resolved that Burmah shall not constitute a barrier to her Chinese trade. It may be doubted whether the British mind, alert as it usually is in regard to all matters affecting the commercial interests of the nation, would so soon have been awakened to the importance of Burmah as a link in the commercial chain but for the recent utterances on this subject by Mr. Colquhoun, the well-known traveler and journalist, and notably an address delivered by him before the London Chamber of Commerce, in which he pointed out the demands of the situation, and urged the adoption of decisive measures. Whether in deference to his opinion or not, his advice was speedily followed. The grounds

on which war with Burmah was declared were no doubt genuine and sufficient; and it is true that King Theebaw and his system of government were on general principles an offense to civilization. But the underlying purpose which the British army in Burmah is marching to accomplish is, nevertheless, the clearing of a path by which England may reach as nearly as possible a monopoly of the Chinese trade. The stubborn conservatism with which China has long resisted both political and commercial overtures from other nations is fast giving way. Modern institutions and practices are being admitted. The foundation of a railway system has been laid, which admits of indefinite expansion, and this work, it is apparent, will be done with British capital under the superintendence of British engineers. Indeed, even now, an English syndicate headed by the great house of Barings on the one hand, and a German syndicate headed by Herr Krupp on the other, are in active competition for the control of railway construction in China, each seeking the much-coveted concession which it is believed the Chinese government is ready to grant. It has been our habit to regard the people of China and the Eastern nations generally as poor, semi-barbarous, and incapable of offering a market for the products of a great manufacturing community like that of England. If they have ever merited this opinion, they are fast outgrowing it. And in the very fact that they are emerging from what we have chosen to regard as a state of imperfect civilization to one of progress and enlightenment lies the secret of their new importance. They are prepared to employ and consume in multifarious ways the capital and the commodities of Europe.

Their wants, which are many and increasing, have yet to be provided for; while those of our own population are not only less in volume by reason of our inferior numbers, but it is evident that they have in many directions been oversupplied. We have reached, so to speak, the point of saturation; while China and other Asiatic communities, if the comparison may be permitted, are lying like a vast sponge, ready to absorb the energies, the products, and the accumulating wealth of Europe. The exchange of commodities with a population of



four hundred millions is a commercial opportunity of which England, the greatest trading nation on the globe, will not fail to make profitable use. Nor will she find the gates of China shut against her in retaliation for the wholesale massacre of Chinamen within her borders. It is the policy of Great Britain to protect the races whose labor is, or may become, useful in building up her commerce; while it seems to have been reserved for our own country to set the example of a relentless persecution of an unoffending and industrious people.

The alarm with which China regards the advance of Russia on her northern and western frontier and of France on her southern border tends to draw her into friendly relations with England, by whom she is threatened with no such inroads. But the whole aspect of eastern affairs justifies the belief that England and Russia will ultimately arrive at a peaceful, if not a cordial understanding, and that their solution of the problem will give to each what it chiefly desires, at the price of conceding what is but of nominal value. Above all things else, England seeks the security of its Indian empire and its Chinese trade, and the control of Egypt as incidental to these. For the sake of thus consolidating its empire and expanding its trade, it may well consent that Russia shall absorb the decaying remnant of the Ottoman power and extend its dominions to the Persian Gulf. With this ambition gratified, it is probable that Russia will not molest the fortifications of Herat, but will relinquish whatever designs she may have entertained upon Indian territory. The time seems not far distant when Asia will be wholly under the dominion of three races—the Muscovite, the Mongolian and the Anglo-Saxon—each possessing a vast portion of its area, and necessarily respectful of its powerful neighbors. Such an alliance, comprising nearly two-thirds of the population of the globe, would dwarf any political arrangement the world has yet seen. The partition of Asia would establish a balance of power whose huge proportions would impart a new significance to the term, and whose weight would be of itself a guarantee of permanence.

Of the fact that European capital and European statesmanship are both tending toward enlarged dominion in the Eastern hemisphere, Russia and England are the most prominent examples. But they are by no means alone in that regard. Other continental nations, according to their military resources or financial strength, are seeking to gain new footholds in Africa and Asia. France in Tonquin, Anam and Madagascar, Belgium on the Congo, Italy on the Red Sea, and even Spain in the islands of Oceanica, are each striving to plant the seeds of wider national expansion, or tightening their grasp on acquisitions already made. Under the stimulus of this prevailing spirit of enterprise it may almost be said that another New World is rising within the boundaries of the Old. This formidable rival, if it does not take from us the title, bids fair to rob us of the benefits which of right should be ours. Hitherto they have flowed upon us in a copious stream, and would still be securely enjoyed if the laws of nature and the forces of trade were not perverted by erroneous legislation. It is a false, though a popular idea, that the East is a land of exhausted resources. On the contrary, it has vast and fertile regions waiting to be regenerated by the forces of civilization. The field has in many parts as yet been barely touched, while in others the results already attained show that no limit can be set to the possibilities of future growth. It is now nearly three years since the writer made the prediction, then regarded as a most incautious one, though based on personal observation, that India would speedily become a dangerous competitor with the United States in the production of wheat. How strikingly that prediction has been verified the statistics of the grain trade of 1885 abundantly prove. The wheat market of Chicago has testified to its accuracy by accumulated stocks and depressed quotations. The fact has been realized, and should always be borne in mind by those who examine this question, that to destroy the profits of the American wheat-grower it is not necessary that India should raise a crop which will meet the whole demand of Europe. It has but to furnish such a proportion of the amount as will prevent an advance in the



price to a point which will repay the cost of production by our farmers. This it has now done, and will continue to do. And it can scarcely be doubted that the present and future capabilities of India as a wheat-growing country will be emulated by Egypt in the production of both wheat and cotton. How speedily the effect of increased cotton production in Egypt will be felt in this country, we have unfortunately the most ready means of judging in the parallel case already before us. The cotton crop of that region may not rise at one bound to the dimensions of our own; but what the result will be, should the Egyptian cotton grower throw upon the common market within a few years even one million bales more than he now contributes of his cheaply produced cotton, the American cotton planter may well infer from the influence on the price of wheat which the relatively small annual exportation of thirty millions of bushels from India has already exerted in the common market of Europe.

He may find himself compelled, like his wheat-growing neighbor in the northwest, to sell his entire crop at the cost of production, or even below that figure. All that has been accomplished in either India or Egypt up to the present time has been done, it should be borne in mind, chiefly by rude native methods and implements. Especially is this true of Egypt; yet even under these imperfect conditions, and with a cultivated area of less than 6,000,000 acres, Egypt has been found capable of exporting \$60,000,000 worth of products in a single year. It is estimated that the country has this year produced, notwithstanding its disordered state, 800,000 bales of cotton of 600 lbs. each. The writer saw at an exhibition in Cairo a few months since—conducted under English auspices and being the first ever held—fifteen hundred samples of cotton from different parts of Egypt, extending as far as the region of Kordofan. That the industry under existing circumstances should show such activity is a strong token of its nascent capabilities. With the area of production increased five-fold by reclamation of lands, with European money and skill applied to its tillage, and with the vast population of India within ten days' sail to be drawn

upon for the needed labor, the most moderate estimate of the probable results and of their influence upon American industries must startle the reflecting observer. If our present policy is not speedily reformed, we may justly fear that the paralysis which has fallen upon our grain trade by the rise of India in the scale of production will be brought upon our cotton-growing interest, with even more disastrous results, by the competition of Egypt.

Nor is it only in our wheat and cotton industries that we are threatened with loss by a rivalry to which our own folly has given rise. The foreign demand for American fresh meat has been for some years the source of a profitable trade, and here also competition has sprung up, and a British colony again stands in our path. Five years ago a commerce of this kind with Australasia was scarcely dreamed of; but so rapidly has it grown that great fleets of vessels are now employed in conveying the frozen beef and mutton of Australia to the English markets, and it is probable that little short of one million carcasses will be thus shipped during the present year. A trade in the same commodity has been established between England and the Argentine Republic, a country of vast extent and scarcely less favored than our own in variety of climate or fertility of soil. Hardly a decade since it was a purchaser of our agricultural products. No longer a customer, it has become under the stimulus of European capital an active competitor.

It may be a question whether American interests are most seriously menaced by the direct competition of the multiplying army of foreign producers, or by the diversion of European capital from investment here to more profitable, because free and untrammelled use in Egypt, India and China. That it is finding such employment in constantly increasing volume is matter of daily observation. The United States has been heretofore an inviting field for foreign investment, and in the last fifty years has absorbed an enormous share of the surplus wealth of Europe. Under normal conditions it would continue to attract the capital of the world by such inducements of cheap and productive land, variety of climate

and freedom from political or social impediments as no other country can present. But in spite of this fortunate combination, it has at length become manifest that the industries of America have been overdeveloped and that the reservoir which has been so liberally fed will hold no more. The railways show it in reduced earnings and uncertain dividends, manufactures in diminished profits, and agriculture in depreciated prices. The relief which might be found for this congested state of our industries in direct and unrestricted trade with two hundred and fifty millions of people across the ocean is forbidden by the policy we have chosen to adopt, which instead of welcoming, disdainfully rejects such aid. Turned away from us by this denial of reciprocal relations, the money of Europe seeks other opportunities of investment, and is finding them in abundance. And the loss to which we have thus subjected ourselves is a double one, for the capital which should still be nourishing our industries and quickening our growth is not only withdrawn, but is set at work elsewhere in active opposition to our interests. Every dollar thus transferred is twice subtracted. In ceasing to contribute it begins at once to compete.

The vast population of Asia, Africa and Australia, toward whom the current of European capital and enterprise is thus strongly tending, are not, as we have been wont to assume, people of few wants, incapable of supporting a large and profitable commerce. On the contrary, their purchasing power is in many instances shown to be greater than our own. The amount which the people of the United States buy of Great Britain averages \$2.50 per capita. In Australia the average for many years has ranged from \$35 to \$40; in the Straits Settlements and Hong Kong it is \$45 to \$70; In Cape Colony and Natal \$30. Taking the British colonies as a whole, the range is from \$10 to \$50 per capita, exclusive of India. That country stands much lower, lower even than the United States, but it has steadily advanced for the last twenty-five years, and a small figure per capita is not to be lightly regarded when it applies to a population of two hundred and fifty millions. As a purchaser of British com-



modities, India has already risen to the first rank in the total amount of its import of those goods, and Australia, another British dependency, is rapidly pushing its way to the second position, now held by this country. The statistics given are those of Mr. Colquhoun, and the comment which he makes is a just and significant one, namely, that the trade of Great Britain follows her flag. Nor is it only in the Eastern hemisphere that she has established trade relations on the basis of mutual advantage. In South America also she has found profitable customers. The average purchases of her commodities in Uruguay are \$18 per capita; in Chili, \$4.50; in the Argentine Republic, \$9. And as an example of the fact that where commercial intercourse is unrestrained capital finds safe and profitable investment, the announcement has recently been made that \$59,000,000 is to be expended by Englishmen in railway and harbor improvements in the Argentine Republic. It is also worthy of note that in the same quarter a wheat-exporting capability is beginning to manifest itself, which adds to the volume of competition the American farmer is hereafter to meet; a competition which had its birth in the unfettered trade relations enjoyed by other countries, and which he might have escaped, and could even now hopefully encounter, were no artificial burden laid upon his shoulders.

The question of vital interest to America is this: By whom are the vast and growing wants of the European nations in future to be supplied? It is well to consider the probable extent of those requirements, in order that we may rightly estimate the gravity of the situation. It may be reasonably predicted that in the next twenty years Great Britain alone will be compelled to purchase 100,000,000 tons of wheat, and 120,000,000 bales of cotton. Enormous as these aggregates may seem, the figures are justified by her present rate of demand and a moderate allowance for the growth of her population and expansion of her industries. The value of products of the soil which England and Continental Europe will be compelled to import in the ensuing quarter of a century may be safely computed at forty thousand millions of

dollars. To no country on the globe would recourse more naturally be had than to our own for the greater part of these products, were the laws of nature and the advantages of situation alone to determine the choice. Our lands are fertile and cheap. Our variety of soil and climatic conditions protects us from the liability of a general failure of our harvests. But no rich endowment of nature, no fortunate geographical position, can prevail against the law of self-interest which governs all human transactions. We shall have no cause to wonder or complain if Europe, under the dictates of that impulse, chooses to trade with eight hundred millions of people in the East who will eagerly take European commodities in exchange for their products, rather than with fifty-five millions in the West, who refuse to deal on a basis of reciprocity. England with all her wealth cannot afford, and assuredly is no longer compelled, to obtain a large share of her supplies from a nation which, like the United States, buys of her people less than one-half as much as it sells to them.

And as her trade follows her flag, so her capital will take the direction of her trade in every form of investment, in the building of railroads and canals, in the reclamation of lands, and in the development of great territories as virgin to modern industrial methods as Dakota or Montana. With other nations of Europe the same tendency prevails. The confidence which encourages such employment of capital is not lacking. Warmed by the new spirit prevalent in European affairs, it has grown and taken firmer root; and its fruits are visible in broader and bolder enterprises, in increased faith in the permanency of values and the maintenance of national and individual honor. Alike in finance and commerce, in public and private transactions, this sense of security is manifest. Even the recent Egyptian loan, despite the enormous burden of debt resting on that country, and the political chaos in which it was plunged, was taken with such eagerness that the subscriptions covered ten-fold the amount required. So keen was the competition for it, in fact, that great care was required in its apportionment to avoid the creation of jealousy between the leading financial



centers ; while at the same time American stocks were being held at a low figure, yet without tempting the capital which sought of its own accord what appears to have been regarded as a more eligible investment. Encouraged by evidences of increased stability, and strong in their reliance upon the future, England and her continental neighbors are turning with one accord to the limitless resources which modern facilities of intercourse have brought within their grasp, and the extent of which they have but lately begun to realize. And thus while we have been vaingloriously assuring each other of our commercial independence of Europe, regarding it as bound by its necessities in any event to contribute to our enrichment, Europe has been daily drawing toward a position in which it will be, in a sense most injurious to our financial and industrial interests, independent of the United States.

This is America's great and imminent danger. The policy of exclusion, the doctrine that a foreign customer, the supplying of whose wants would be a source of incalculable wealth, should be repelled instead of invited, has already shown its blighting effect upon our commercial prospects. By our tariff laws we shut our gates against mankind. We lay an unequal burden on the American farmer by artificially increasing the cost of his clothing, his tools, his household utensils—of every article, in short, which his land does not produce; while that which he raises he is compelled to sell in competition with the low-priced labor of the Old World. In some important respects, it is to be feared, the mischief which has been accomplished no longer admits of repair. No revision of the laws by which American trade is bound can restore American supremacy in the grain markets of the world. The scepter of that dominion has passed from our hands. The American farmer no longer holds, as he once did, the position of dictator in the European market. It is rather the six-cent ryot of India who now takes precedence at that board, and who is able, if not to supply all the wheat which Europe requires, at least so to load the market with his cheap product as to depress the price below what to the American wheat-grower is a living figure. For the cotton industry of our

country there may yet be hope, if wiser counsels than those of the past shall prevail. But a persistent denial of equitable trade relations will inevitably bring the same result in this as in our cereal exports, which have dropped to less than half their former volume. If our laws still make war upon our trade, the time is not far off when the cotton planter of our Southern States will be thrust from his high place, and the despised Egyptian fellah will reign in his stead. Even the cattle breeder of our Western ranges may find a successful rival in the Australian bushman, whose cargoes of frozen meat are daily arriving in the ports of Liverpool and London. Thus the world's markets for food and textile products, which by right we ought well nigh to monopolize, are slipping from us one by one. No well wisher of his country can see without concern this needless sacrifice of the magnificent opportunities of wealth and growth which Providence has placed at its command. But while this folly has already wrought lasting injury, a timely retracing of our steps may avert some of its worst results. A part, at least, of the splendid heritage which we have flung away may yet be saved. And so long as this is true, no voice should be silent, no influence should be withheld which can aid in awakening and enlightening the public mind, in establishing sound views of national policy, and in conforming our legislation to those provisions of nature which we have made many futile efforts to repeal, but which, ignore or defy them as we will, must ultimately control our destiny.

JOHN W. BOOKWALTER.

[Communicated to Bradstreet's, Dec. 12, 1885.]

## THE BURDEN OF PROTECTION AND WHERE IT FALLS.

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*To the Editor of Bradstreet's:*

SIR:—The article in your last issue signed "G.," and entitled "Foreign Markets and the Tariff," expresses disagreement with some of the positions taken in my communication of two weeks' earlier date. Before replying to it, I wish to express my appreciation of the temperate manner in which the writer of the article referred to has dealt with the subject, and which is in strong contrast with the tone of many utterances on that side of the question. It is refreshing, because somewhat unusual, to meet with a controversialist of that writer's way of thinking who deals with this topic, like him, in a sincere and earnest temper, and instead of indulging in the customary strain of invective, and relying upon such phrases as "pauper labor" and "British gold" to serve in the place of argument, shows a desire to discuss the matter with candor and according to the dignity of his theme.

The first point which he makes, namely, that the railroads of this country have been carrying the grain of the Western farmers to the seaboard at a loss is, I regret to say, beyond dispute as a matter of fact. Such loss, and one very heavy in amount, has undoubtedly been incurred. To his question upon whom this loss has fallen, I should reply that a part of it, certainly, has been borne by the American stockholders in those roads. But another portion, if not the larger one, has fallen upon the capitalists of England and continental Europe whose money was invested in the building of the roads, and who have waited patiently, but in vain, for a return from their investment. The history of the Wabash, the Erie, the Denver & Rio Grande, and many other roads is illustrative of this point. And it is a highly natural sequence that European, and especially English capitalists, should turn from



railroad ventures in America, which yield them very uncertain returns, if any, to enterprises of like character in India, which they find to be a secure and profitable investment. That such is the case with the East India railroads the statistics of the rapidly developing system of that country will show.

But let us suppose a state of commercial freedom in which the Western farmer was permitted to realize the full exchangeable value of his grain by having unobstructed access to the markets of the world for the purchase of commodities. He would then no longer produce the grain at a loss, nor would the railroads carry it at a loss. They might then charge him such rates of freight as would be amply remunerative to themselves, yet would not be felt as a burden by him. Moreover, under such a system of unrestricted exchange, the demand for our grain abroad, and the production on our soil, would be vastly increased, perhaps ultimately two or three fold. There would then, we may well believe, be no further complaint of insufficient employment for our railroads, or of inadequate tolls upon their traffic. The present railroad system of the United States, exaggerated as it is, and costly as it has been, absorbing \$7,000,000,000 of capital, would then be found too limited for the business which would be thrown upon it. Even the paralleling of lines, in advance of any requirement of traffic, which has been found so wasteful and fatal a policy, would then be justified by the immense volume of freight to be carried to and from the seaboard, the products of our soil going abroad, and the commodities of Europe coming in return, to be distributed 1,500 miles inland. And the same increase of traffic would be manifest in the ocean carrying trade, with the same result of profit instead of loss, and of thriving activity instead of depression and stagnation. The extinguishment of a few industries which employ but limited capital, which have no natural home among us, and can only be maintained by a heavy tax on our whole community, might well be viewed with equanimity when thus compensated by so vastly increased a development of our natural resources.

In the year 1881, the export of wheat from this country

was 150,000,000 bushels; of flour, 8,000,000 barrels, and of corn, 90,000,000 bushels—the total of these three classes of breadstuffs amounting to about 8,000,000 tons, which was carried an average of one thousand miles or more upon our railroads. It was this extraordinary volume of the carrying traffic of that and the preceding year which gave so marked an impetus to railroad building in America, and has resulted in the expansion of the system to its present proportions. The conditions which existed from 1879 to 1882 were the result of a combination of causes which may never occur again, the continued failure of foreign harvests being chief among them; but, practically speaking, those conditions, and the prosperity which flowed from them, might be made permanent in this country if a policy of commercial freedom were adopted.

It is the habit of protectionists to say, patronizingly, that they have created a home market for the products of American farmers, leaving it to be inferred that but for protection they would have no market. That this is a fallacy is evident if we consider that by modern inventions and appliances Europe is brought as near this country as two States of our Union were to each other a generation since; and by the laws of trade the same interchange of products would take place between our Western farmers and the European manufacturers as that now carried on between our Western and Eastern States. It would be even more extensive, because an intermediate carrying trade would be created, which would not only employ thousands of men and hundreds of millions of dollars of capital, but would require large supplies for consumption by its employes. Suppose that under a system of free exchange the export of cereals from this country should be annually 350,000,000 bushels more than now (and this is a very low figure compared with what would be realized), there would be given to the carrying trade 10,000,000 tons additional freight to be transported, say one thousand miles by rail—a sufficient amount to lift our whole railway system to a paying level, and to load 2,000 vessels of the largest size now crossing the ocean. Nor, in the event of this free ex-



change of products for commodities, would the cost of living be increased to the manufacturing and other non-agricultural classes. They would obtain their supply of food-products as cheaply as before; while at the same time the value of those products to the farmer would be vastly enhanced. Even at the present low price of grain, falling, perhaps, under existing conditions, below the cost of production, the farmer would realize a handsome profit.

Even as the case now stands, our export of agricultural products is far greater, relatively to our whole production, than your correspondent has represented it to be. His error is remarkable, but doubtless unintentional. Instead of consuming at home "more than 90 per cent. of all our products of agriculture," leaving but 10 per cent. for export, as he states, the fact is that we send abroad about one-fourth of all we raise. Of wheat, we have in one year (1880) exported two-fifths of our entire crop; of cotton, over five-sevenths of all that is grown in the United States goes abroad, Great Britain alone taking more than one-half of the entire shipment. The whole annual product of agricultural labor in this country is estimated, as accurately as the data will admit, at \$2,500,000,000, and the annual export is about \$600,000,000, constituting three-fourths or, in some years, four-fifths of the whole volume of exports from the United States. And the question whether in this most important of all our industries we ought to compete with the cheap labor of foreign countries is a wholly gratuitous one; for we must and do so compete, whether we will or no. The fact should never be lost sight of, in considering this matter, that the price at which our farmers are obliged to sell their surplus governs that of the whole crop. And this price is not fixed in New York or Chicago, but in Mark Lane, Liverpool and Havre. The export of 120,000,000 bushels of wheat from India in the last five years, while it has formed but a part of the European supply, has been quite sufficient to break the price in that market, and consequently in our own.

But for this advent of India among wheat-exporting countries, the price of that cereal in Chicago would not

have fallen below 90 cents, as we have now seen it for many months. The close sympathy which exists between our leading grain markets and the far Eastern region with which we have now to compete is illustrated by the immediate effect of any change in the situation there upon the trade in our own centers. It is not long since a cable telegram reporting a flood in Bengal, from which disastrous results were apprehended in the wheat harvest for the year, caused at once an advance of several points in the Chicago market. And thus is almost daily exemplified the fact which I have stated on a former occasion, showing the cruel injustice which the American farmer suffers from our perverted trade relations, that while the price of that which he buys is determined by the fiat of legislation, the price of that which he sells is fixed by the Indian ryot working for six cents a day. And the prospect that what the Indian farmer has done as regards our wheat-growing interest the Egyptian fellah may presently do in relation to our cotton industry is one that I cannot but view with alarm.

To place at such a disadvantage as this an industry so extensive as the agriculture of the United States, is in every point of view unwise and disastrous. In magnitude and importance, in the amount of capital invested, and in the number of persons employed, no other interest approaches it. About 47 per cent. of the population of this country are engaged in farming, and the value of the farm property is some \$12,000,000,000, or more than four times the entire capital invested in manufactures. The railroad interest is largely dependent upon agriculture, receiving probably one-third of its traffic from that source. From the railroad system the coal-mining industry derives its support in great measure, and thus in like manner has its ultimate foundation in the farming interest. Whether taken by itself or together with its correlated industries, which are so many that their mere enumeration would exceed the limits of this article, agriculture in the United States is beyond all comparison the chief employment and foremost interest of its people, and if any preference in shaping their policy were justifiable, it is here,

beyond all doubt, that favor would be most wisely shown. It is a strange perversion of justice and sound business principles, to say the least, that a discrimination of precisely the opposite character is made, and an unequal burden is imposed where its effect must be most calamitous and far-reaching.

How great is the loss sustained by the farmers of America by the legislation which forbids them to exchange their products for the commodities they require in the open market of the world may be estimated from official statistics with a fair degree of accuracy. The yearly product of their labor, as already stated, is valued in round numbers at \$2,500,000,000. The manufactured goods for which this product is exchanged are enhanced in cost by protective legislation at an average rate of  $47\frac{1}{2}$  per cent. This rate, it should be here remarked, is higher than formerly; first, as a result of the doings of a tariff commission from which an abatement of duties was expected, but which proved instead to be a covert agency for increasing them and was justly regarded by the protectionists as a "blessing in disguise;" and second, by reason of a general decline in the value of manufactured commodities the world over, the effect of which was to make specific duties a larger percentage upon cost, and therefore relatively higher, though not changed in absolute amount. At the average rate of  $47\frac{1}{2}$  per cent., it is manifest that the farmer is obliged to give about one-and-a-half bushels of wheat for an article which if he enjoyed commercial freedom he could get for one bushel. His crop is therefore deprived of one-third of its exchangeable value, and the loss incurred, on the basis of the agricultural product of 1880, is \$800,000,000. With our present population the figures would doubtless go still higher, and the annual sacrifice which the consumers of manufactured goods in this country, not engaged in protected industries, are required to make, would reach nearly one thousand millions of dollars. This is a heavy price to pay for the privilege of "diversifying" our industries.

It is very true, as your correspondent remarks, that we have bought of England in five years about \$1,000,000,000



worth of goods ; and it is also true that from all foreign countries in that period, England included, we have bought some \$2,000,000,000 worth and have paid for them with our agricultural products. The unpleasant feature of the case is the reflection that if we could have exchanged those products for goods without restriction or tax, we might have had nearly \$3,000,000,000 worth for the same outlay on our part—a clear gain in our foreign trade alone of \$1,000,000,000. That we should have made a corresponding gain on the far greater bulk of commodities which we have bought at home is a plain inference from the existing features of the case. It is shown by the fact that so large an amount of goods is manufactured abroad and sold to our people in spite of the intervening duty ; and it is further demonstrated by the instant alarm of every protected industry at any symptom of a withdrawal of the legislative shield. The claims often made that production is as cheap under protective laws as where there is no such interference with the liberty of trade are thus clearly disproved. And the question of comparative cheapness is one, moreover, which any one who has traveled extensively and noted the cost of commodities here and in foreign markets can readily answer from his own experience.

It is not to be supposed, nor has any one to my knowledge suggested, that England would abandon her colonies in consequence of any change in our laws in the direction of a more liberal policy. But it is not a sentimental care for her colonial interests, that mainly induces England to purchase her supplies in India and employ her capital in developing that country. There are several excellent reasons which may be given for that growing tendency in her commerce. The Indian wheat-grower will sell his product at a lower price than the American farmer can afford to take ; but even this is not the chief ground on which he receives the preference. He willingly takes in exchange for his grain manufactured goods upon which the Englishman has a full profit. And the farmer of India finds no cause of complaint in the low price at which his grain is sold—too low to give the American farmer a living reward for his toil—nor in the fact that he receives com-

modities rather than money for his crop; for he is furnished those commodities at a cost which has not been artificially enhanced, and enjoys, practically speaking, the benefit of unrestricted access to an open market. He obtains for one bushel of wheat or one barrel of flour an article for which the American farmer must give a bushel and a half or a barrel and a half; and the British merchant in turn procures his wheat at a lower cost than from the American farmer, even if he pays the same nominal price in dollars and cents, because he pays for it in goods on which there is a profit to himself. Or to put the case still more plainly, the situation is practically this: Supposing the nominal quotation of wheat to be 80 cts. per bushel both in Bombay and Kur-rachee and in Chicago and Milwaukee, while the Illinois farmer receives 80 cts. per bushel for his wheat, the farmer of India actually receives about \$1.15 or its equivalent in goods at the American valuation; and the English consumer, while paying 80 cts. per bushel to the American farmer, pays to the India farmer, in the primary cost of the goods exchanged, only 70 or 75 cts. Or taking cotton as an example, if the money quotation in New Orleans, Alexandria and Bombay is 10 cts. per lb., while our Southern planter gets 10 cts. per lb. for his product, the Indian or Egyptian grower gets for the same quality about 14 cts. in goods at our market price; and to the British purchaser, who has to pay 10 cts. per lb. for the American cotton, the actual prime cost of the Indian or Egyptian cotton is about 9 cts. per lb., since he pays for it in goods on which he has a profit of 10 or 15 per cent. It is not strange that under such contrasting conditions as these, the capital of Belgium should go to the Congo, of France to Tonquin, of Germany to the islands of the Pacific, and of Great Britain to Egypt, India, Burmah and China, in the development of trade and internal improvement.

If India should ever be unwise enough to impose an average tariff of  $47\frac{1}{2}$  per cent. on foreign commodities entering her ports, and thus compel her farmers to exchange a bushel and a half of grain for an article which they now get for one bushel, we should very soon be relieved from any further solicitude

about exports of India wheat. On the other hand, but for the erection of such a barrier against trade by our own legislation, we should not now, instead of sending to Europe the two million tons of wheat which has accumulated in our warehouses, be compelled to ship gold instead to meet our indebtedness there. It is in the establishment of relations of reciprocity and mutual profit between the British manufacturer and the Indian farmer, and the prospect that the same policy will soon be extended to Egypt, China and Australia, that just ground of alarm exists to those who have the prosperity of our nation at heart. This country has in the past absorbed a large proportion of the surplus wealth and population of Europe, and by virtue of its extent and resources it should continue to do so for a hundred years to come. In the fact that it is denied that opportunity by the persistent enforcement of a policy of repulsion toward foreign nations lies the danger which I have endeavored to point out, and which I submit is a matter demanding most serious consideration.

JOHN W. BOOKWALTER.

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